

this, the scales of history may still tilt to either side, and the hands on the clock of civilization be turned back for several decades. It would be necessary, for this reason, to think in bolder terms about a contemporary equivalent to the Marshall Plan and about a more spacious Atlantic umbrella. What especially recalls the old times in all this is the fact that European security is today more threatened by the current turmoil in the Balkans than by the Russian appetites in the past, and the West would do well to adapt its new tactical and strategic parameters to these new conditions.

In this general confusion, Serbia is still considered very important strategically; Romania is

being promised membership in NATO, Bulgaria support to economic recovery, while Albania has already been declared a model EU-cooperant and a trusted member of the Partnership for Peace. However, all that has taken place so far in this group of countries demonstrates beyond any doubt that tacit support to latter-day autocrats is a most perilous compromise, to which the West takes recourse too lightly and too often. Economic assistance is important, but it would seem that these days the protection of basic human dignity has become even more important. And if this is so - we are no longer telling a typical Balkan story. ■

## Croatia - an Open Country

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Like other Central and East European countries, Croatia is passing through a highly complex period of transformation from a centralised to a market economy. This process was made even harder by the armed conflict that was raging in these parts and that ended only two years ago. In the coming weeks, the last occupied section of Croatia - the Croatian Danubian Region - will be fully integrated into the administrative and legal system of the Republic of Croatia, by peaceful means this time.

The major task to be accomplished in the transformation of the Croatian economy is beyond doubt the privatisation of the former social enterprises.

Ever since Croatia gained independence, one of the main proclaimed goals of economic policy was to attract foreign investments. Even while the fighting was still going on, this orientation attained certain results. The end of the war gave impetus to more investment in Croatia. To encourage such activity, Croatia enacted a law in 1995 which provided to foreign investors the same terms as were offered to domestic investors, and even some privileges.

The Constitution guarantees foreign investors the free repatriation of profits from capital

invested in Croatia. Practically all economic sectors are open to foreign investors, with restrictions only in the defence industry and the communication media. The profit tax is relatively low (35 percent). Under the mentioned Law, foreign investors are exempted from import charges on equipment brought into Croatia as part of the investment project, of course subject to certain conditions, but these are also liberal: the investment must not cover a period shorter than five years; the foreign share in the investment cannot be less than one-fifth of the total amount, and the benefit does not apply to equipment for games of chance.

Even while the fighting was still going on, economic policies were designed so as to establish a favourable setting for investments - both long-term and short-term. The Croatian currency, the kuna, has been practically convertible from the moment it was launched into circulation. Inflation has been reduced to less than four and a half percent annually, not only this year but also last year and the one before. A legal system is being evolved that guarantees the security of investments and full respect of contractual obligations.

To date, after seven years, foreign investments to the value of almost two billion Deutschmark have been made in Croatia. Arguments in favour of such projects are not just the efficient macro-economic policy but the advanta-

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geous geographic position of Croatia, which facilitates easy access to other markets, an expanding domestic market, a good outlook for a speedy growth of the tourist industry, as well as an experienced and well-trained workforce, yet relatively cheap in comparison with the industrialised countries.

So far, the greatest capital inputs have come from Germany, Austria, Switzerland, Italy and Denmark, but investors from the USA, South America and Scandinavia have also evinced an interest in Croatia.

The major foreign investors in Croatia are, among others, Asea Brown Boveri (ABB), Bank Austria, Coca Cola, Amatil, Elektro Geräte A.G., Ericsson, the European Bank for Reconstruction and Development, Heidelberg Zement, Interbrew S.A., Trioinvest, Tuborg, etc.

The adoption of legislation allowing the establishment and operation of free-trade zones in Croatia and the granting of first concessions are intended to give an additional boost to foreign investment. The location of these zones along the coast and inland provides ample scope to various investment projects, covering not just the regional market but also those in other parts of Europe.

To encourage and facilitate investment in Croatia, about a year ago the Government established the Croatian Investment Promotion Agency (CIPA).

Among its functions, CIPA helps potential foreign investors and their domestic partners to identify projects of interest; it also offers its services in collecting authentic information relevant to investment decisions; it also helps potential investors to get in touch, where this is necessary or useful, with the right governmental agencies; CIPA also works on the creation and promotion of an investment-friendly environment in Croatia.

Past experience with foreign investors in Croatia indicates that interest in bringing in capital does exist, not only among large multinational corporations but also among medium-size, and even small, companies. Apart from some EU countries which are traditionally Croatia's foreign trade partners, even before CIPA was established, investors from countries with large populations of Croatian descent expressed their interest. Moreover, during the past year there have been signs of increasing interest by companies from the Middle and Far East. To support and encourage their interest, CIPA does not confine itself only to information and promotion. The Agency believes that it is also necessary to design indepen-

dently investment projects based on Croatia's potentials and to offer them, together with feasibility studies. It must be borne in mind here that our possibilities can be exploited to mutual advantage only if we offer foreign investors precise and reliable information about the present and potential investment opportunities from the field of their interest.

To encourage foreign investments, Croatia has become a member of the Multilateral Investment Guarantee Agency, and has applied for admission to the World Trade Organisation.

The Croatian Government wishes to revive production in the coming period and to expand it on a basis that will ensure sales in the most selective markets of industrialised countries, not only in the area of the former Yugoslavia. In keeping with this, we are not interested only in investments into new industries and new plants but also in the existing manufacturing capacities, which are greatly under-utilised. These production capacities have been impaired, by war as well as by several years of stagnation and disinvestment. The weakness of our manufacturing industries is not only the insufficient use of their capacities - greatly due to low competitiveness - but also their technological and manpower stagnation and backwardness.

Foreign inputs, in terms of up-to-date technology as well as of modern management and marketing, would find fertile soil in Croatia - much could be achieved with relatively small investments, instead of starting from scratch. This is all the more true since in such situations the effects, i.e. returns on investments, are achieved much more quickly.

We are now on the threshold of the next stage of privatisation of the former social sector of the economy. This stage will cover not only some of the largest companies in the country but also numerous public enterprises, which are likewise going to be fully or partially privatised. There is no need to stress that this is also an area of interest to potential large-scale foreign investors. The reconstruction of parts of Croatia devastated by war is yet another potentially interesting area of investment. For this reason, CIPA has established very close co-operation with the Privatisation Fund and with the Ministry for Reconstruction, so as to be able to provide to potential investors timely and reliable information.

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